

Jordan Valley
Authority

Business Process
Mapping:
Expenditure
Business Cycle

Financial Accounting
System Program

July 2000

OSC Member
FAS Team Member



FORWARD

Collaborative Approaches for Resolving Water Issues



Business Process Mapping Reports

- General Process Mapping
- ✓ **Expenditure Business Cycle**
- Inventory and Fixed Assets Business Cycle
- Revenue Business Cycle
- Budget and Accounting Business Cycle
- Workshop Business Cycle
- Payroll and Personnel Cycle



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ACRONYMS

AP	Accounts Payable
AR	Accounts Receivable
CBJ	Central Bank of Jordan
CFI	Call for Information
COA	Chart of Accounts
FA	Fixed Assets
GBD	General Budget Department
GSD	General Supplies Department
GL	General Ledger
H/W	Hardware
IC	Inventory Control
JC	Job Costing
MOF	Ministry of Finance
OE	Order Entry
PO	Purchase Order
RDBMS	Relation Database Management System
SGWA	Southern Ghors and Wadi Araba
S/W	Software
WIP	Work In Progress

ARABIC EXECUTIVE SUMMARY

ملخص تنفيذي بالعربية

تمت الموافقة على خطة العمل الاستراتيجية لبرنامج (FAS) للفترة 2023-2025. تهدف الخطة إلى تعزيز التعاون بين القطاعين العام والخاص، وتحسين جودة الخدمات المقدمة للمواطنين، وزيادة كفاءة العمليات الإدارية. ستتم تنفيذ الخطة من خلال سلسلة من المبادرات والمشاريع، والتي ستشمل تطوير البنية التحتية، وتحسين الخدمات الإلكترونية، وتعزيز الشفافية والمساءلة. ستتم مراقبة التقدم في تنفيذ الخطة بانتظام، وسيتم إجراء تقييم دوري لفعاليتها. ستتم مشاركة النتائج والتحديات مع الجهات المعنية، وسيتم اتخاذ الإجراءات اللازمة لمعالجة أي مشاكل تنشأ. ستتم تحديث الخطة بانتظام لتعكس التغيرات في البيئة التشغيلية، وسيتم تعزيز التواصل والتعاون بين جميع الأطراف المعنية.

ستتم الموافقة على الخطة من قبل المجلس التنفيذي، وسيتم توزيعها على جميع الجهات المعنية. ستتم متابعة التقدم في تنفيذ الخطة بانتظام، وسيتم إجراء تقييم دوري لفعاليتها. ستتم مشاركة النتائج والتحديات مع الجهات المعنية، وسيتم اتخاذ الإجراءات اللازمة لمعالجة أي مشاكل تنشأ.

- تطوير البنية التحتية
- تحسين الخدمات الإلكترونية
- تعزيز الشفافية والمساءلة
- تحسين جودة الخدمات المقدمة للمواطنين

ستتم الموافقة على الخطة من قبل المجلس التنفيذي، وسيتم توزيعها على جميع الجهات المعنية. ستتم متابعة التقدم في تنفيذ الخطة بانتظام، وسيتم إجراء تقييم دوري لفعاليتها. ستتم مشاركة النتائج والتحديات مع الجهات المعنية، وسيتم اتخاذ الإجراءات اللازمة لمعالجة أي مشاكل تنشأ.

- تحسين جودة الخدمات المقدمة للمواطنين
- تعزيز الشفافية والمساءلة
- تحسين كفاءة العمليات الإدارية
- تطوير البنية التحتية

ستتم الموافقة على الخطة من قبل المجلس التنفيذي، وسيتم توزيعها على جميع الجهات المعنية. ستتم متابعة التقدم في تنفيذ الخطة بانتظام، وسيتم إجراء تقييم دوري لفعاليتها. ستتم مشاركة النتائج والتحديات مع الجهات المعنية، وسيتم اتخاذ الإجراءات اللازمة لمعالجة أي مشاكل تنشأ.

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EXECUTIVE SUMMARY

The Jordan Valley Authority (JVA) is working in collaboration to implement a new, accrual-based financial accounting system (FAS) to provide a tool for tracking, recording and accessing complete financial information with the aim to operate as an autonomous, self-sustaining entity. The current cash-based accounting system records expenses when paid rather than when they are accrued. The system, therefore, does not reflect the actual cost of operations like an accrual-based accounting system would.

Expenditures are made in accordance with government financial instructions to provide financial information focused on annual funds allocated to the Ministry of Finance. This analysis of the current expenditures cycle documents current procedures and identifies the changes that will be necessary to implement a new, accrual-based financial accounting system for the Jordan Valley Authority.

The expenditure cycle begins with a request for goods or services and ends with a cash payment to a vendor. A typical expenditure cycle includes the following activities:

- Purchasing
- Processing accounts payable
- Processing disbursement
- Maintaining supplier master files
- Inventory tracking

JVA uses fund accounting. Each invoice is processed separately and no suppliers' (vendors') records are maintained. In this report, therefore, the expenditures cycle at JVA is divided into the following activities:

- Supply requisition
- Purchasing
- Receiving purchases
- Processing a vendor's invoice
- Processing disbursements

Each activity is described in the form of an annotated flow chart. Exceptions are labeled as such and are explained.

Bank statements are received weekly from the Central Bank of Jordan. Each month, the cashier reconciles the expense accounts, and the money-in-trust accountant reconciles the money-in-trust account. (Money-in-trust is the amount deducted from vendors' payments or withheld from employees' salaries on behalf of other government agencies.)

The Finance Directorate sends monthly reports to the Ministry of Finance; all these reports are generated either manually or by the computerized budget and accounting system. The reports concentrate on cash accounts and balances rather than on financial reporting and results of operations.

The financial accounting system in place consists of two sub-systems which are integrated and complement each other: the budgeting sub-system, and the accounting

sub-system. The budgeting sub-system maintains records for budget line items and estimated yearly expenditures. It also maintains records for all allocations (appropriations), financial orders, financial transfers and transfers of allocations. The accounting sub-system accepts double entry transactions. It deals with processing payment vouchers against allocations and financial transfers. It maintains records of invoices submitted by vendors and also deals with money-in-trust. It has five types of data entry transactions: payment vouchers, receipt vouchers, adjustment transactions (general entry), salary payment vouchers, and disbursement entry transactions. With programming amendments, the system could be used as a general ledger for the FAS. Furthermore, it could be developed further to allocate expenses to cost centers in order to generate cost-center reports.

In order to streamline operations and implement the new FAS successfully, we recommend the following:

- The SGWA, King Talal Dam, Wadi Al-Arab Dam and Al-Fanoush stores should send copies of their supply issue and receiving vouchers to the central store records unit at Deir Alla where they should be maintained in the same way they are for other JVA stores. (In the new FAS, the inventory control model is to be implemented at the central stores records unit where all stores will be controlled.)
- The Supplies Directorate should generate a list of approved vendors and update it periodically.
- The money-in-trust procedures should be simplified by issuing the check from the cashier to the beneficiary directly instead of depositing it in the money-in-trust bank account.
- MS Office components, such as Excel and Word, should be installed on all computers at the Finance Directorate.
- The “supplies request,” “purchase request,” and “finance commitment” should be redesigned into one form with boxes to be checked to denote appropriate processing based on availability of inventory or amount of purchase.
- The “receiving report” and the “supplies receiving voucher” should be consolidated. The new form could be the official documentation of goods received and could be used to enter receipts in the system and in the document kept in the central file for reference and audit purposes.
- The number of approvals for payments should be reduced to only the signatures required by law.
- The “receipt order form” should be deleted, and the deduction information in it should be included on the “payment voucher form.”
- One JVA accountant should start collecting relevant data and modeling it on an accrual basis using MS Excel or other appropriate software.
- Copies of the “purchase request form” should be eliminated. An original with signatures should be maintained, and the rest should be kept on line.

- Copies of the “supplies issue form” and “supplies receiving form” should be deleted. Originals with signatures should be maintained, and the rest should be kept on line to be printed whenever needed.
- Vendor invoices, payroll summaries, petty cash expense reports, electricity bills, fuel invoices, and any other document requiring payment should be utilized as documentation for writing checks instead of payment vouchers. This information can be entered directly into Account Payable (A/P) system to generate payment. Reference numbers will be generated by the system.

TABLE OF CONTENTS

<u>Acronyms</u>	I
<u>Arabic Executive Summary</u>	III
<u>Executive Summary</u>	VII
1. <u>Introduction</u>	1
2. <u>Expenditures Cycle</u>	3
<u>2.1 Supply Requisitions</u>	3
<u>2.2 Purchasing</u>	6
<u>2.3 Receiving</u>	8
<u>2.4 Processing a Vendor's Invoice</u>	10
<u>2.5 Processing Disbursements</u>	11
<u>2.6 Money-in-Trust</u>	13
<u>2.7 Reporting</u>	16
<u>2.8 Computer Use</u>	17
<u>2.9 Recommendations for Management</u>	17
<u>Internal Control</u>	17
<u>Efficiency</u>	18
<u>FAS Implementation</u>	19
3. <u>ANNEX A</u>	21
<u>Flowcharting Symbols</u>	21

Figures

2.1 Supply Requisition Procedures.....	5
2.2 Purchase Request Process.....	7
2.3 Receiving Purchases.....	9
2.4 Preparing Payment Vouchers.....	12
2.5 Check Disbursements	14
2.6 Money-in-Trust.....	15

CHAPTER 1

INTRODUCTION

Like other government organizations in Jordan, the Jordan Valley Authority (JVA) uses cash-based accounting. This means expenses are recorded when they are paid rather than when they are accrued. The system, therefore, does not reflect the actual cost of operations like an accrual-based accounting system would. Currently, expenditures are made according to government financial instructions in order to provide financial information as per Ministry of Finance requirements which concentrate on funds allocated in the yearly budget.

This document describes current expenditure procedures at JVA with an aim to identify the changes that will be necessary to implement a new, accrual-based financial accounting system (FAS). It also makes recommendations for changes in procedures to improve internal controls as well as to enhance efficiency. The reporting requirements for the Ministry of Finance and the computer systems used in the expenditure cycle are discussed separately.

CHAPTER 2

EXPENDITURES CYCLE

A general overview of the cycle was documented in “General Process Mapping.” This document goes into more detail.

The expenditures cycle begins with a request for goods or services and ends with a cash payment to a vendor. It encompasses transactions related to the purchase of and payment for goods and services and to inventory control. Credit transactions for purchases create accounts payable which represent the amounts due to vendors. Cash disbursements settle the accounts payable balance. The purchase of goods also affects the inventory at stores where the purchased goods are received, so inventory receiving and issuing processes are described in this document as part of the expenditures cycle. A typical expenditure cycle includes the following activities:

- Purchasing
- Processing accounts payable
- Processing disbursement
- Maintaining supplier master files
- Inventory tracking

JVA uses fund accounting. Each invoice is processed separately and no suppliers’ (vendors’) records are maintained. As stated above, expenditures are recorded on a cash basis, i.e., invoices are recorded when paid rather than when accrued. For the purpose of this document, we divided the expenditures cycle at JVA into the following activities:

- Supply requisition
- Purchasing
- Receiving purchases
- Processing a vendor’s invoice
- Processing disbursements

Each activity is described in the form of an annotated flow chart. Exceptions are labeled as such and are explained. They are not reflected in the flow charts as it would make them too complicated. Annex A defines the symbols used in the charts.

2.1 Supply Requisitions

Figure 2.1 below covers supply requisitions, purchase request preparation and the issuing of supplies from stores.

The process starts with a requisition and follows these steps:

1. The requesting department or directorate prepares a “supply request form” that shows the items and quantities requested. The form is signed by the head of the directorate and is sent to the store.
2. The storekeeper receives the form and checks if the requested supplies are available.

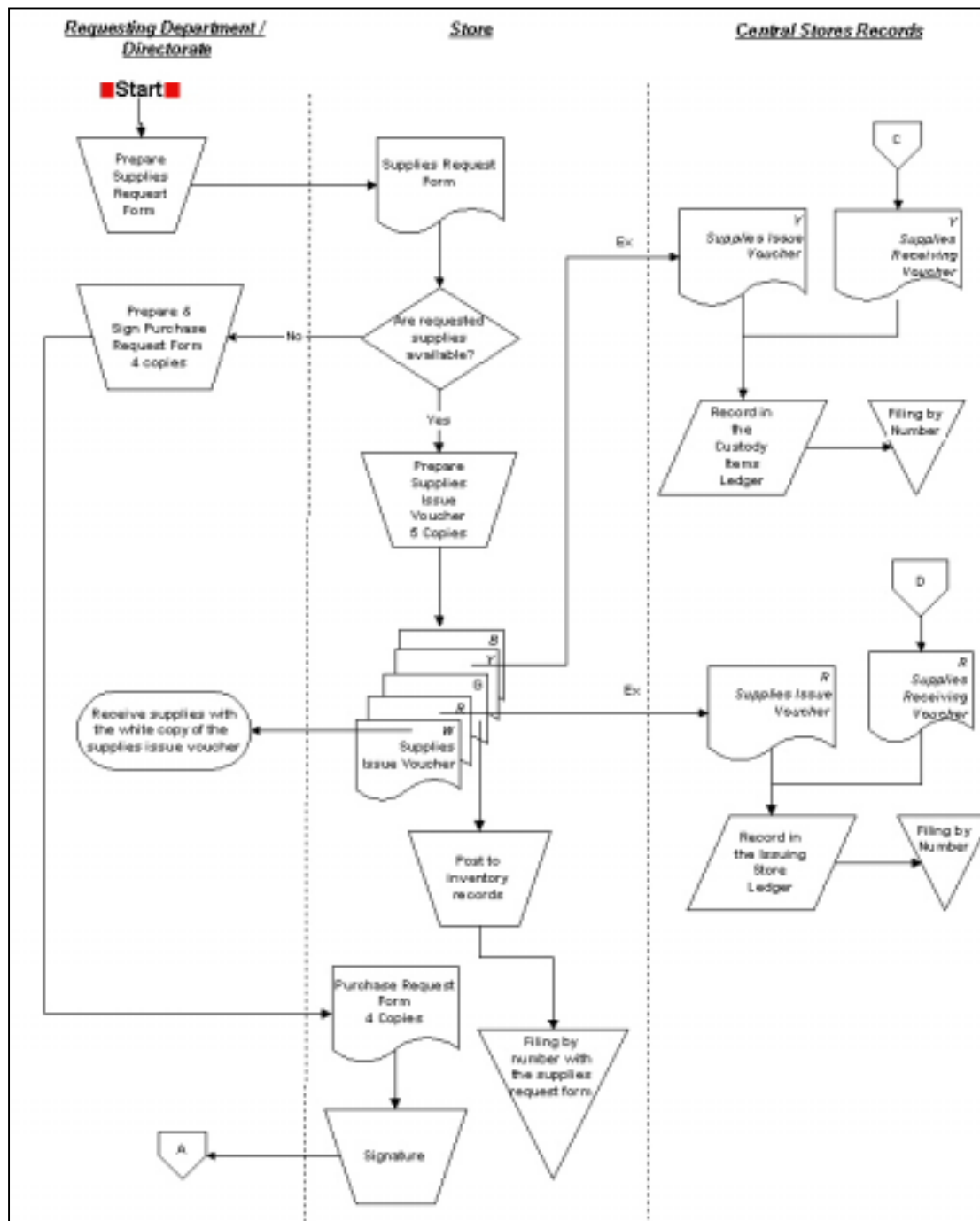
If the supplies are available:

- The storekeeper prepares a “supply issue voucher” with four carbon copies: red, green, yellow and brown. Both the storekeeper and the recipient sign this voucher. The voucher is serially numbered and shows the store name, the date, items issued, quantity, storekeeper and recipient signatures. It also includes space to show the unit price and the total price.
- The requesting department (recipient) receives the requested supplies with the original (white) voucher.
- The storekeeper keeps the green copy of the voucher, posts it to the store’s records and files it by number.
- The yellow and red copies of the voucher are sent for control purposes to the central store records unit at the Deir Alla Central Store (in Al Roweihha) where other records are kept for most JVA stores. Custody item (items that have a usable life in excess of one year) records are kept in the Deir Alla Central Store also. The yellow copy is recorded in the custody item records and filed by number, whereas the red copy is recorded in the issuing store control records and filed by number also.
- Exception: The King Talal Dam, the Wadi Al-Arab Dam, the Amman, and Southern Ghors and Wadi Araba (SGWA) stores don’t send the yellow and red copies to the central store. These stores maintain their own custody item records on the premises. Also, the spare parts store at the Workshop and Equipment Directorate sends only the yellow copy (custody items) to central stores; the red copy is kept on the premises.
- The brown copy is kept in the voucher book for auditing.

If the supplies are not available in the store:

- The requesting directorate prepares a “purchase request form” with three carbon copies: yellow, blue, and orange. The requesting party, the head of the requesting section, and the head of the requesting directorate sign the request form and send it to the store.
- The storekeeper signs the request confirming that the items mentioned are out of stock.
- The request is then sent to the Financial Directorate to be processed.

Figure 2.1
Supply Requisition Procedures



2.2 Purchasing

Figure 2.2 below covers the purchasing process until the vendor delivers the items to the store.

The requesting department fills a “purchase request form” with three carbon copies: yellow, blue, and orange. The Financial Directorate receives the signed form from the requesting department, identifies the budget line item and checks available appropriations.

- If there are no funds available, the Finance Directorate rejects the purchase request and returns it to the requesting department.
- If money is available and the request is less than JD 5000, it is sent to the Supplies Directorate. The blue copy of the request is then filed at the Supplies Directorate. If the value is above JD 5000, the Financial Directorate prepares a “financial commitment form,” gets approval from the General Budget Department at Ministry of Finance and then sends it to the Supplies Directorate with the purchase request form.

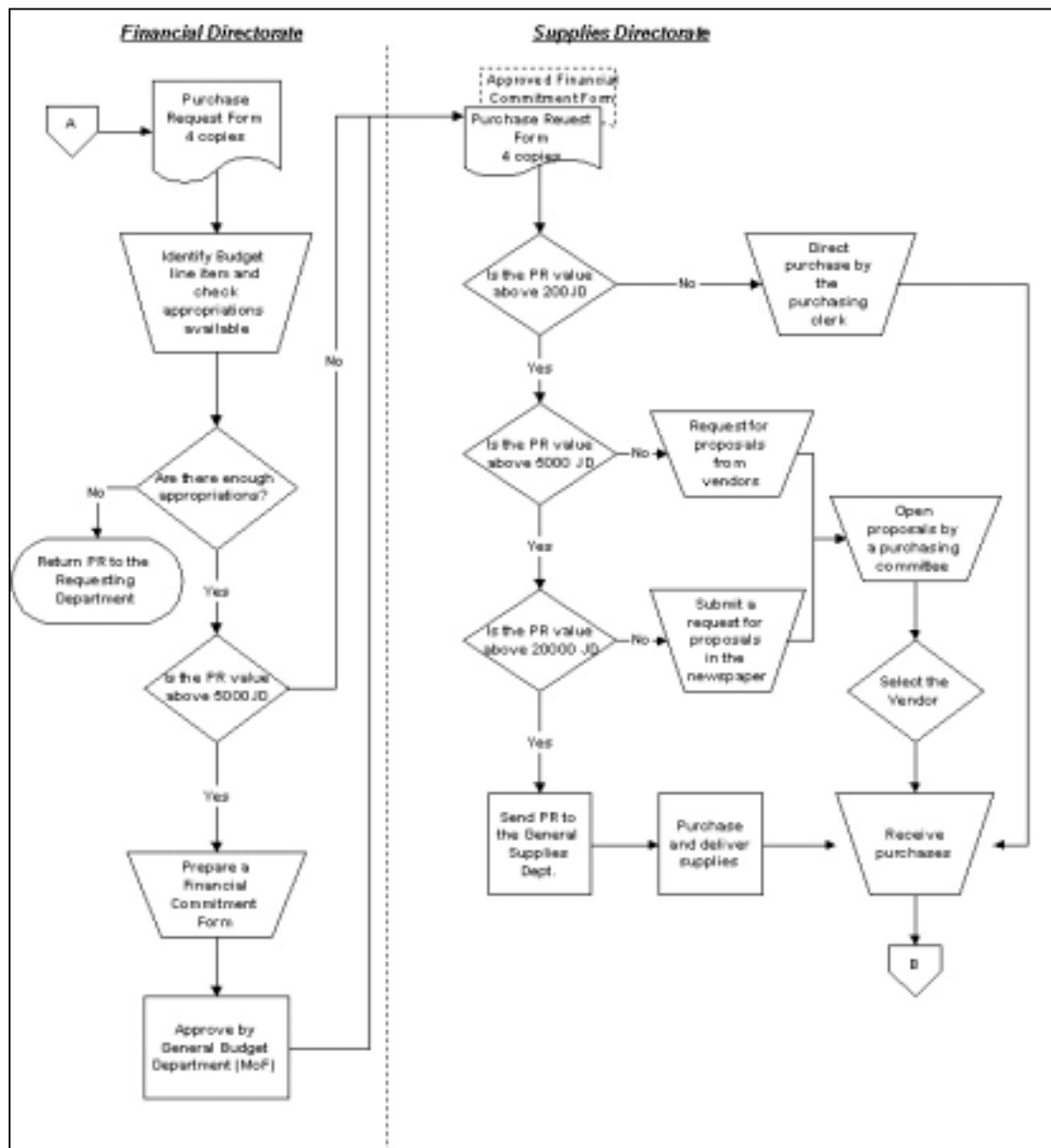
The Supplies Directorate receives the purchase request and starts the purchasing process.

- If the purchase value is less than or equal to JD 200, a purchasing clerk purchases the supplies directly from a vendor.
- If the purchase value is more than JD 200 but less than or equal to JD 5000, the Supplies Directorate must collect at least three bids.
- If the purchase value is more than JD 5000 but less than or equal to JD 20,000, a request for bids is advertised in the newspaper. The yellow copy of the purchase request is given to the vendor to submit a bid.
- The Government General Supplies Department makes any purchase above JD 20,000.
- Whenever bids are requested, a purchasing committee formed by the Secretary General receives the bids and selects the vendor.

The purchasing process is completed when the vendor delivers the purchased goods to a JVA store or other specified location where they are formally received.

Note: The requesting department may amend the purchase request at any time before the goods are received. If the amendments are within the original specifications and don't increase the purchase price, then the head of the requesting department adjusts the purchase order manually and signs for the adjustments. If the amendments increase the price, the purchase order must be approved again by the financial manager. If the purchase amount is above JD 5000, the General Budget Department must approve a

Figure 2.2
Purchase Request Process



new financial commitment form. If the amendment includes a substantial change in the supplies requested, then a new purchase request must be prepared.

2.3 Receiving

Figure 2. 3 illustrates the process for submitting the vendor's invoice and other supporting documents to the Finance Directorate. Note that the process depends on the value of the items received.

The purchased goods are received at a JVA store or at the location where they will be used.

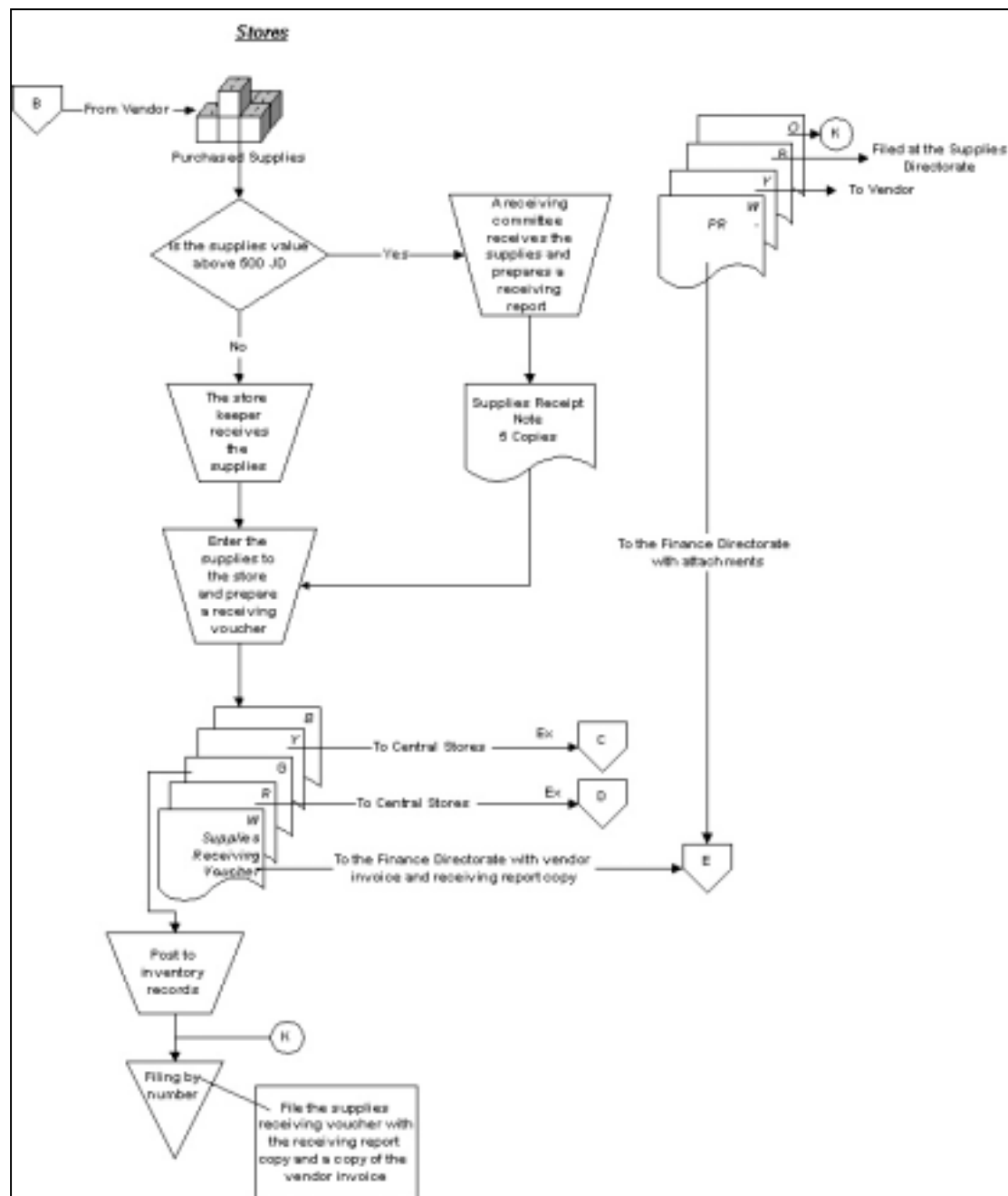
- If the value is more than JD 500, the items will be received by a receiving committee formed by the Secretary General. This committee prepares a "supplies receipt note" with five copies. The copies go to the Financial Directorate, the Central Stores, the Storekeeper, the Audit Bureau, and to the vendor.
- If the value is less than or equal to JD 500, the storekeeper alone receives the purchased items.

The storekeeper enters the items in the store and prepares a "supplies receiving voucher" with four carbon copies: red, green, yellow and brown. The form is serially numbered and shows the same information as the supplies issue voucher.

- The original (white) is attached to the vendor's invoice and is sent along with other supporting documents to the Finance Directorate.
- The yellow and red copies are sent to the central store records unit at Deir Alla (see Diagram 1) where they are recorded in the custody item records and the store control records and then filed by number.
- The storekeeper uses the green copy to update store records and then files it by number with the receiving committee report, a copy of the vendor's invoice and the orange copy of the purchase request attached to it.
- The brown copy is kept in the voucher book for auditing.

The vendor's invoice and all supporting documents are then sent to the Financial Directorate to process payment.

Figure 2.3 Receiving Purchases



2.4 Processing a Vendor's Invoice

Figure 2.4 illustrates the preparation of payment vouchers at the Disbursement Section of the Financial Directorate for all kinds of expenditures including the delivery of supplies or services.

The Disbursement Section Source receives documents from different parties:

- The vendor's invoice with attached supporting documents is received from the Supplies Directorate or from stores.
- The monthly payroll summaries are received from the Payroll Section.
- Petty cash expense reports are received from the cashiers at the directorates. Petty cash is usually used for urgent purchases such as small spare parts. It is maintained at the directorates and by project engineers. The Secretary General has the authority to issue petty cash up to JD 1000 to any employee. The Ministry of Water and Irrigation (MWI) has the authority to issue petty cash up to JD 3000. The Ministry of Finance (MOF) must approve petty cash in excess of JD 3000. JVA petty cash ranges from JD 200 to 500. Reimbursement of petty cash is processed using a payment voucher with receipts of expenditures attached.
- Other invoices and claims are received from vendors.
- The Power Expenses Audit Section receives electricity and fuel invoices monthly. The accountant audits the electricity invoices by comparing them with the average monthly expenses for each meter and by randomly checking the meters on site. He also audits the monthly fuel invoice with attached fuel coupons. After verification, he records these invoices in analytical sub-ledgers and submits them to the Disbursement Section.
- Contractors' invoices and claims are approved by the appropriate project consultant, then by the responsible directorate. They are then submitted to the Secretary General or the authorized party for approval. Once they are approved, they will be sent to the project accounting division where they are audited and compared to the project contract terms and recorded in a sub-ledger. The project accounting section prepares the payment voucher according to project contractual conditions and financing terms, which may include multiple funding sources, and submits it to the Disbursement Section.

After receiving the source documents, the Disbursement Section prepares and signs the payment voucher with three copies: red, blue and yellow.

The voucher then is recorded in the disbursement journal and assigned a serial number; this number is the disbursement number. The payment voucher is recorded against a financial transfer that should have been prepared prior to this procedure.

The accountant enters the voucher data into the accounting system and sends it with supporting documents for approval and payment.

At the end of each month prior to preparing the payment voucher, the Disbursement Section estimates the coming month's expenditures and accordingly prepares a "financial transfer form" which represents fund transfer requests from the Ministry of Finance. The form is signed by the Financial Manager or the authorized person and then approved by the General Budget Department at the Ministry.

Once the transfer form is approved and received it is recorded in the disbursement ledger and the Disbursement Section starts preparing vouchers.

The approved financial transfer is filed at the Expenditures Division.

2.5 Processing Disbursements

Figure 2.5 below illustrates the check disbursement process, the final activity in the expenditures cycle.

After the payment voucher is recorded in the Disbursement Section, it is sent for the approval of the following parties: 1) the Financial Manager or authorized person; 2) the internal auditor; 3) the authorized signatories (depending on the amount); 4) the control and inspection unit; and 5) the Financial Controller of the Ministry of Finance.

- The Audit Bureau approves the payment voucher if the amount exceeds JD 5000.

After approval, the payment voucher with supporting documents attached is sent to the Cashier Section.

The accountant at the Cashier Section prepares the check.

The accountant records the payment voucher into the cash journal and assigns it a serial number. This number is the payment number.

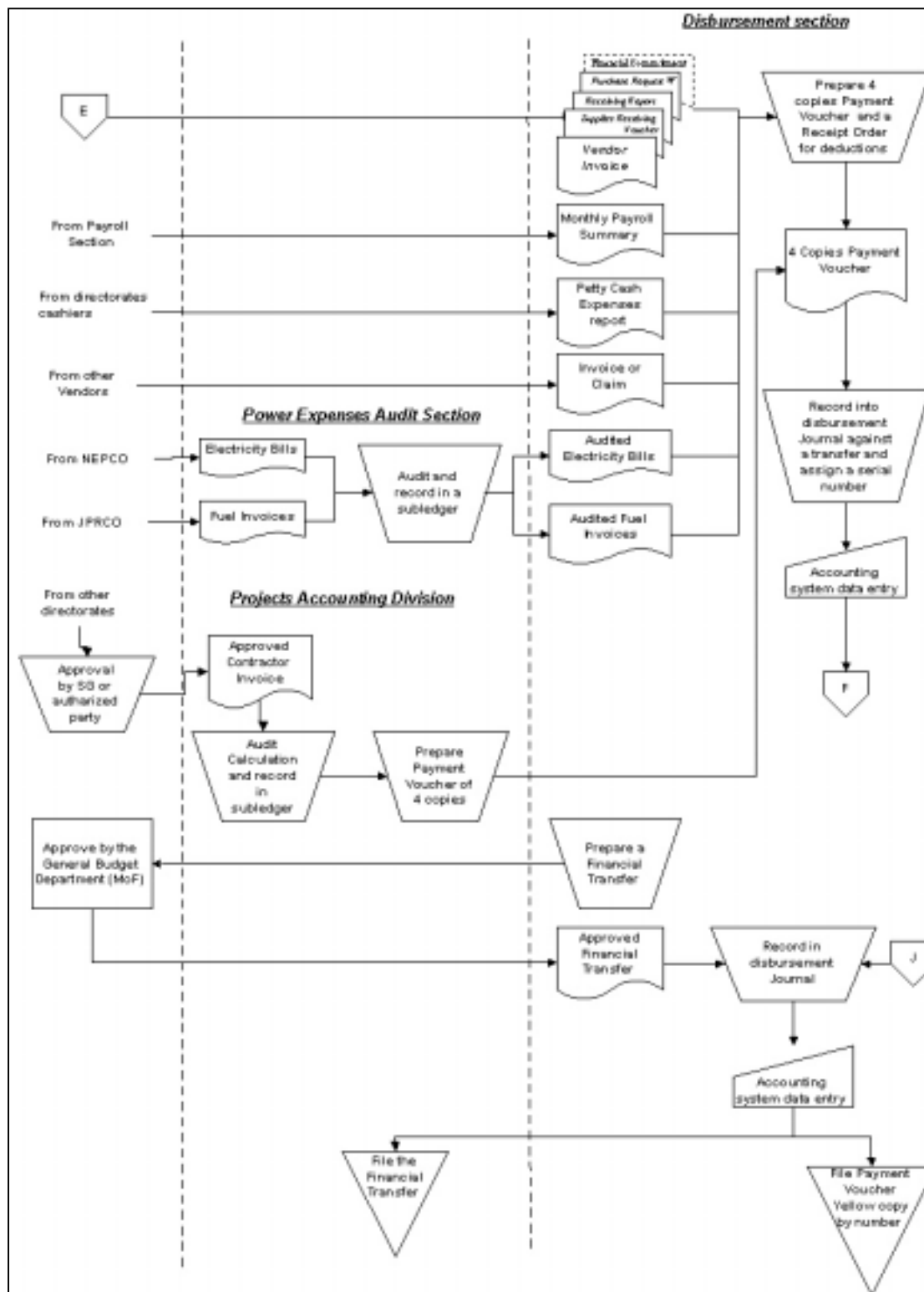
The accountant then enters the payment voucher into the accounting system.

The checks are signed by the authorized persons; two signatures for amounts below JD 1000 and three signatures for JD1000 and above are required.

The checks are then distributed to the beneficiaries:

- Vendors and contractors receive checks from the Cashier Section against a signature or a receipt. The person receiving the check must submit a letter that authorizes him/her to receive the check on behalf of the vendor.
- If the payment is in foreign currency, the check is made in favor of the Central Bank of Jordan (CBJ). A letter that states the beneficiary's name and account is sent to the CBJ with the check. The CBJ receives the check and transfers an equal amount in foreign currency to the beneficiary's bank account.

Figure 2.4
Preparing Payment Vouchers



- Employees' salaries are deposited in their bank accounts. A check is prepared for the net salaries of those employees who don't have bank accounts. It is cashed by an assigned cashier who delivers cash to those employees against their signatures.
- The directorates' chief cashiers maintain petty cash. They receive petty cash reimbursement checks.
- Money-in-trust checks are submitted to the money-in-trust accountant who receives the checks and processes them as illustrated in Figure 6 below. These checks are made in favor of the Jordan Valley Authority.

The copies of the payment vouchers are distributed as follows:

- The yellow copy is sent to the Disbursement Section where it is recorded in the disbursement journal and filed by disbursement number.
- The blue copy is handed to the beneficiary with the check.
- The cashier section files the red copy by payment number.
- The original (white) is sent with all the supporting documents to the Classification Section.

The Classification Section records payment information into the "expenditures classification journal" where the payments are classified by budget line items.

Finally, the original and all the supporting documents are filed by number in the Classification Section.

2.6 Money-in-Trust

Money-in-trust is the amount deducted from vendors' payments or withheld from employees' salaries on behalf of other government agencies. These deductions are items such as duty stamps, employees' social security, and income tax. An accountant in the expenditures division monitors and records these amounts. This accountant is referred to as the money-in-trust accountant. Figure 6 above illustrates money-in-trust procedures.

The money-in-trust accountant receives the checks from the cashier.

The accountant prepares a serially numbered receipt voucher with two copies: red and blue. The original (white) is given to the cashier against the check, the red copy is filed and the blue copy is kept in the voucher book for audit.

The accountant deposits the check in JVA "money-in-trust account" with the CBJ. The deposit slip is filed with the red copy of the receipt voucher.

Figure 2.5 Check Disbursements

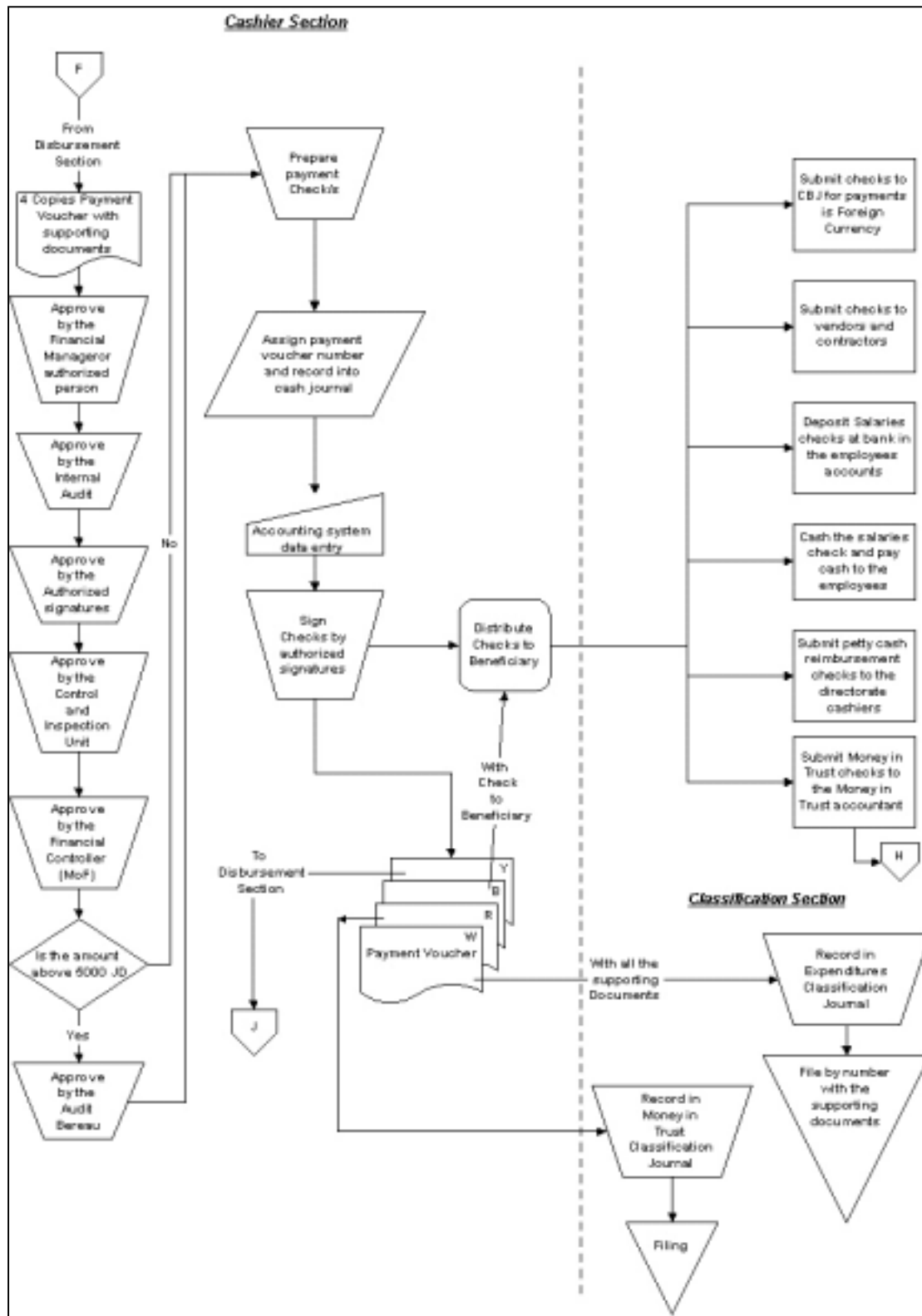
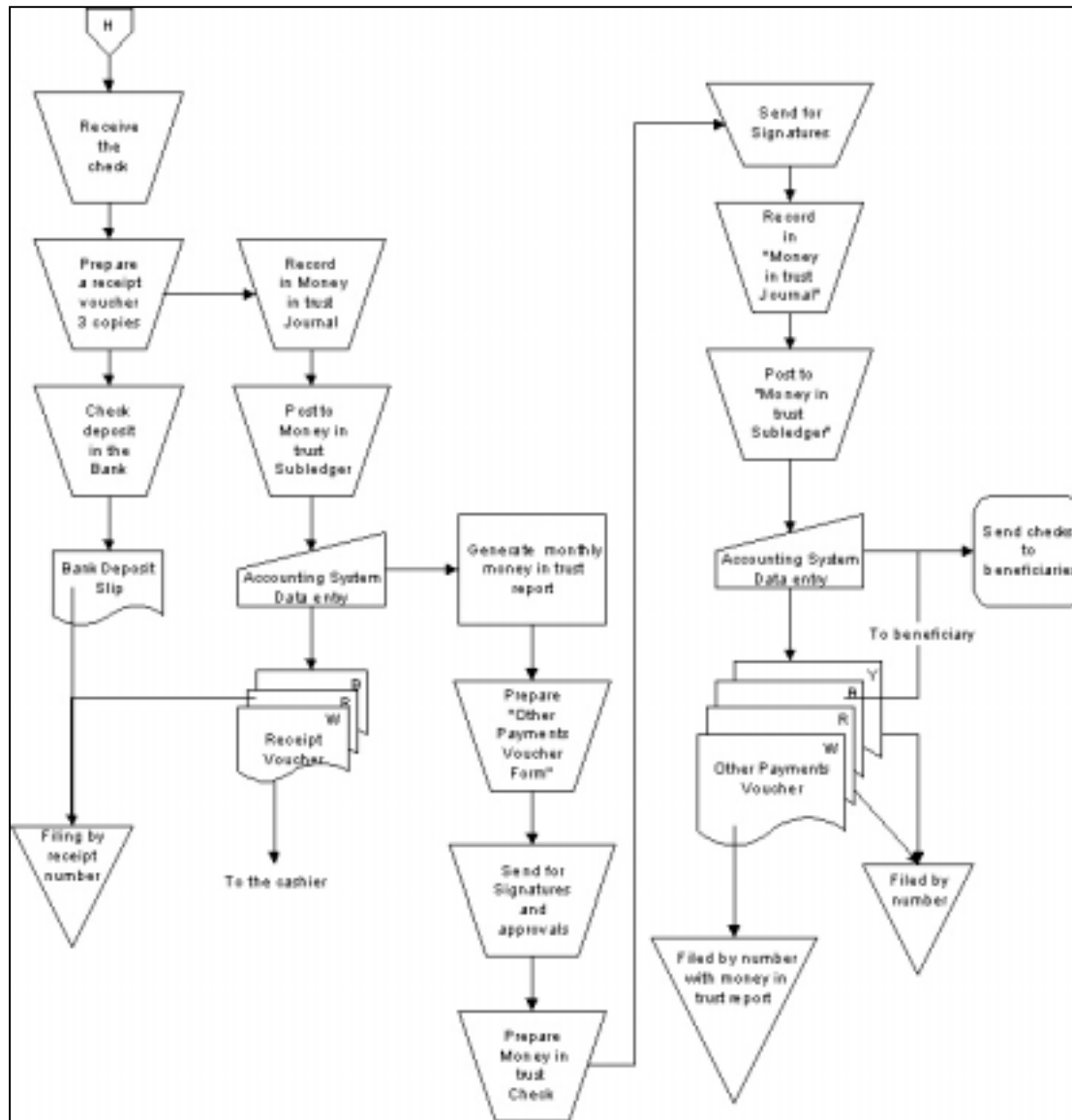


Figure 2.6
Money-in-Trust



The accountant records the receipt voucher in a journal called the “Money-in-Trust Journal.” Then he posts the voucher to a sub-ledger. He also enters the receipt voucher into the computerized accounting system.

At the end of the month, the accountant generates a computer report that shows details of the money-in-trust, and accordingly, he prepares a payment voucher form called “other payments voucher” for the money due to each government agency.

The payment voucher is approved in the same way as an expenditure payment voucher.

After approval, the same accountant prepares a check drawn on the money-in-trust bank account and sends it for signature.

The accountant then records the payment journal and posts it to the sub-ledger.

The checks are sent to beneficiaries with the blue copy of the payment voucher. The other blue copies are filed by number.

Employees may take travel or other advances to cover expenditures. The advance is paid to the employee in a check distributed by the cashier using the “other payments voucher” form according to an advance payment order (letter). The advance payment is recorded in the advance payments account and in a sub-ledger. An accountant in the expenditures division monitors advance payments. Advance payments are cleared against invoices submitted by employees using payment voucher forms as per expenditure procedures. The invoices are recorded by budget line item.

Bank statements are received weekly from the CBJ. Each month, the cashier reconciles the expense account, and the money-in-trust accountant reconciles the money-in-trust account.

2.7 Reporting

The Finance Directorate sends monthly reports to the Ministry of Finance all of which are generated either manually or by the budget and accounting computer system. The reports concentrate on cash accounts and balances rather than on financial reporting and results of operations. The following is a list of the reports as provided by the Ministry of Finance:

- Monthly summary of the expense account which shows transactions and the balance;
- Monthly summary of the money-in-trust account which shows transactions and other suspense account transactions;
- Summary of money-in-trust detailed accounts which shows opening balance, total receipts, total payments and ending balances for each account;
- Bank reconciliation report for both the expense account and the money-in-trust account with a copy of the last page of the bank statement attached;

- Monthly financial status report which shows monthly expenditures as per the disbursement journal;
- List of outstanding checks and other outstanding amounts as per bank reconciliation;
- List of the amounts transferred, received, and paid; and
- List of the petty cash amounts and monthly balances.

2.8 Computer Use

JVA use of computer software in the Finance Directorate is referred to as the budgeting and accounting system. It was developed using ORACLE RDBMS; the development tools are of client server architecture. The client server operating system is Windows 95, and the server is UNIX.

The current financial accounting system consists of two sub-systems: the budgeting sub-system, and the accounting sub-system. The budgeting sub-system maintains records for budget line items and estimated yearly expenditures. It also maintains records for all allocations (appropriations), financial orders, financial transfers and transfer of allocations. The accounting sub-system deals with processing payment vouchers against allocations and financial transfers. It maintains records of invoices submitted by vendors. It also deals with all kinds of money-in-trust collected for other agencies by JVA departments. The two sub-systems are integrated and complement each other.

The accounting sub-system uses double entry transactions. The chart of accounts is structured on two levels with two digits for the first level and four digits for the second level. This structure can be used to develop a chart of accounts in the new, accrual-based FAS. The chart of accounts used by JVA now is designed to track the details of money-in-trust and employees' advances. The system has five types of data entry transactions: payment vouchers, receipt vouchers, adjustment transactions (general entry), salary payment vouchers, and disbursement entry transactions. With programming amendments, the system could be used as a general ledger for the FAS. Furthermore, it could be developed further to allocate expenses to cost centers in order to generate cost-center reports. The system must, however, be analyzed to evaluate the general controls and the security level.

2.9 Recommendations for Management

The following are the major weaknesses in the expenditure cycle with recommendations for improvement and for changes necessary to implement the new FAS. The recommendations are based on findings of the process mapping and are grouped by type into internal control, efficiency, and FAS implementation.

Internal Control

The central store records unit at Deir Alla does not maintain inventory control records for spare parts in the SGWA, the King Talal Dam, the Wadi Al-Arab Dam and the Al-Fanoush stores. Except for the Al-Fanoush spare parts store, these stores maintain

their own custody item records. For control purposes, store records must be maintained at the central stores records unit, and custody item records must be segregated from store keeping.

We recommend that the above-mentioned stores send copies of their supply issue and receiving vouchers to the central stores records unit at Deir Alla where they should be maintained in the same way they are for other JVA stores. This amendment is also essential for implementing the FAS. The inventory control model is to be implemented at the central store records unit where all stores will be controlled.

The Supplies Directorate doesn't use an approved list of vendors for purchasing. Such a list would reflect those suppliers with whom JVA has been authorized to do business and therefore would serve as a control against making payments to vendors who have not been authorized or who do not exist. The purchasing department must be responsible for finding reputable vendors who offer quality goods at reasonable prices.

We recommend that a list of approved vendors be generated by the Supplies Directorate and updated periodically.

Efficiency

Money-in-trust recording and disbursement procedures are too long and too complicated.

We recommend simplifying the procedures by issuing the check from the cashier to the beneficiary directly instead of depositing it in the money-in-trust bank account.

The computers at the Expenditures Division that are used for the budget and accounting system don't have basic software installed on them. Programs such as MS. Excel may help accountants in preparing reports and in enhancing their computer skills.

We recommend installing MS Office components, such as Excel and Word, on all computers at the Finance Directorate.

There are too many forms in the expense cycle.

We recommend that the "supplies request," "purchase request," and "finance commitment" forms be redesigned into one form with boxes to be checked to denote appropriate processing based on availability of inventory or amount of purchase. This change will streamline the process and save money.

There is duplication of effort in the receiving process.

We recommend consolidating the "receiving report" (prepared by the receiving committee) with the "supplies receiving voucher." The new form could be the official documentation for goods received and could be used to enter receipts in the system and in the document kept in the central file for reference and audit purposes.

The procurement process is too complicated because of tight controls which require multiple approvals before goods or services can be ordered.

We recommend that the number of approvals for payments be reduced. After the financial manager reviews documents, only the signatures required by law should be needed. The controls of receiving and matching of invoices to the procurement and receiving documents are strong enough to insure proper payment of invoices. Therefore, multiple signatures only add paperwork and inefficiency to the process.

The Disbursement Section prepares a “receipt order form” that lists duty stamps or other deductions from the payment amount. At the same time, the “payment voucher form” also includes a section for deductions.

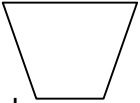

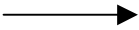

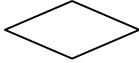
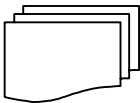
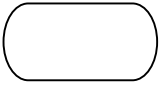
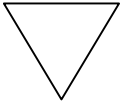


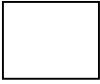
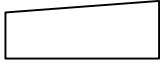

We recommend deleting the receipt order form and including the deduction information on the payment voucher form.

FAS Implementation

- The FAS will require JVA accounting information to be collected and recorded on an accrual basis. Most of the necessary information is available in the Finance Directorate at headquarters. Accordingly, we recommend that one JVA accountant start collecting the necessary data and modeling it using MS Excel or other appropriate software. The FORWARD team will be working with the assigned accountant on a daily basis.
- Eliminate copies of the “purchase request form”; maintain an original with signatures and keep the rest online.
- Eliminate copies of the “supplies issue form” and “supplies receiving form”; maintain originals with signatures and keep the rest on line to be accessed and printed whenever needed.
- Eliminate payment vouchers and utilize vendor invoices, payroll summaries, petty cash expense reports, electricity bills, fuel invoices, and any other document requiring payment as documentation for writing checks. This information can be entered directly into the Accounts Payable (AP) system to generate payment. Reference numbers will be generated by the system.

ANNEX A

Flowcharting Symbols

Manual Operation A manual offline operation not requiring mechanical aid 	Document Paper document and reports of all varieties 
Flow Process or document flow 	Explanation Further explanation of the process 
Decision A decision where a choice between two or more paths must be taken 	Multi document Multi copies document Or a document with attachments 
Terminator End of flow 	Manual Filing Permanent file of documents 
Off-page connector Cross-reference to another page of the flow chart (another figure) 	Ledger Manual record 
External input Process by external party 	Data entry Information entering to a computer 
On-page connector Connector between two points on the same flowchart (figure) 	Exception Indicates exceptional cases illustrated "Ex" and explained in the bulleted description